

REQUEST FOR PROPOSAL

FEASIBILITY STUDY ON THE INTRODUCTION OF A COMMERCIAL PAPER MARKET IN ETHIOPIA

1. Introduction

The Ethiopian financial market is witnessing significant transformation. With the establishment of the Ethiopian Capital Market Authority (ECMA) and the Ethiopian Securities Exchange (ESX) alongside with wide range of economic institutional reforms being undertaken, the prospect for a vibrant capital market ecosystem is being set on a strong foundation. To expand the pool of financing and investment options to issuers and investors alike, ESX alongside its partners FSD Africa and FSD Ethiopia, would like to support the development of the short-term money market environment, though among others, promoting the introduction of a vibrant commercial papers market in Ethiopia.

The introduction of a commercial paper (CP) market aims to provide short-term financing avenues for corporates and offer institutional investors access to an alternative investment environment. The introduction of CPs in Ethiopia underpins efforts aimed at diversifying sources of financing for private enterprises to address immediate liquidity requirements including short-term operational requirements and optimize balance sheets. Furthermore, the development of the CP market fosters the growth of a vibrant medium- and long-term debt market.

2. Program Background

2.1. About Ethiopian Securities Exchange (ESX)

The Ethiopian Securities Exchange (ESX) is Ethiopia's first, and only organized securities exchange. ESX is established as a public-private partnership in line with Article 31 of the Capital Market Proclamation (No.1248/2021).

ESX functions as a Self-Regulatory Organization ("SRO") and serves as the central market organizer providing an integrated product suite covering the equities, fixed income, and money market segments of the capital markets. As the pioneer securities exchange, ESX aims to play a critical role in the development and growth of the Ethiopian capital markets.

ESX's core objective is to facilitate access to capital and support effective capital allocation in a manner that supports Ethiopia's economic growth. By developing a well-regulated and efficient capital market ecosystem, ESX will enable mobilization of financial resources for both the public and private sector while providing investors with a reliable platform to invest in a reliable and efficient environment.

You may find out more about ESX on our website: www.esxethiopia.com

2.2. About ESX Market Development Fund

ESX has partnered with FSD Africa and FSD Ethiopia to support the development and strengthening of Ethiopia's capital market. This strategic collaboration brings together financial resources, technical expertise, and strategic guidance aimed at fostering the growth of potential issuers, driving product development, and advancing investor education, ultimately enabling ESX to operate efficiently and in line with international standards.

This partnership is formalized through the creation of the ESX Market Development Fund, a joint commitment to support and implement key market development initiatives that ensure the long-term effectiveness and sustainability of the Ethiopian Securities Exchange.

Under this framework, FSD Africa and FSD Ethiopia will provide funding, strategic oversight, and technical assistance. ESX will lead the initiative by managing financial allocations, ensuring the quality of development activities, and overseeing the overall implementation of the program.

3. Objective and Scope

The principal objective of the assignment is to prepare a scoping study of the CP market which involves evaluating the enabling legal, regulatory and institutional environment, assessing the potential corporate demand and investor appetite, providing actionable recommendations on the development and phased implementation of the market, supporting pilot design and stakeholder engagement by outlining steps for initiating a pilot issuance.

4. Scope

1. Assessment of the Market Potential

- Assessment of the market potential, expected sizes, timeline, and market segments
- Assessment of the readiness and constraints among potential key players
- Identify and profile potential institutional investors and their risk and return expectations.

2. Assessment of Legal and Regulatory Framework

- Conduct a comprehensive gap analysis of relevant regulatory instruments, including the Commercial Code, National Bank of Ethiopia (NBE) directives, and other applicable laws, to evaluate their adequacy for supporting CP instruments.
- Assess the extent to which existing regulatory and institutional structures support or hinder the introduction of CP instruments and propose alignment strategies.
- Determine possible regulatory pathways and sandbox mechanisms that could facilitate pilot issuances of CP instruments, including temporary or conditional waivers or exemptions.

3. Benchmarking:

- Analyze relevant CP market models (regional and global exchanges and similar market infrastructures)
- Identify best practices for how exchanges can support CP issuance and trading.
- Examine regulatory frameworks in benchmark markets to inform local adaptation

4. Market and Product Development

- Conduct market assessments with potential issuers and investors to evaluate demand, capacity, and readiness.
- Conduct macroeconomic analysis and pricing mechanisms as part of the market study to inform product design and viability
- Propose a framework and guidelines for CP issuance including;
 - eligibility standards, disclosure obligations and reporting requirements
 - models for the placement and offering of commercial paper issuance
 - Creditworthiness assessment frameworks
 - pricing, trading and quotation models (if applicable)
 - post issuance reporting standards
 - formulate ESX trading and post-trading (including role of the CSD and product lifecycle) procedures designed for commercial paper.

5. Toolkit Development

- Support ESX and selected partners in mapping potential pipeline of issuers and onboarding pilot issuers and investors
- Define pricing benchmarks and recommend methodologies for setting reference rates
- Draft necessary templates and toolkits for issuance documentation (e.g. information memorandum, term sheets and investor agreements)
- Guide ESX in putting in place the necessary structure and services for effective CP issuance (e.g. registration and disclosure platform, risk management and investor protection)
- Conduct capacity building session for ESX and other stakeholders on CP market operations and oversight.

6. Implementation Roadmap

- Develop implementation roadmap for pilot issuance: 12- month actional plan for first CP issuance on ESX.

5. Deliverables and Timeline

The consultant is expected to deliver the following outputs within the timeframe provided, starting from the date of the contract award. The project is expected to be completed in a period of five (5) months.

| Deliverables | Timeline |
|--|--|
| Submission of Inception Report: | Within three (3) weeks of contract award |
| Market and Product Development A draft report that includes assessment of market potential, regulatory and institutional analysis, benchmarking analysis and initial recommendations for CP market development. | Within twelve (12) weeks of contract award |
| Toolkit development and Implementation Roadmap Identifying potential CP issuers by sector, estimated issuance volumes and timelines, and readiness assessments, profiles of potential investors, including analysis of their risk-return preferences and investment constraints, pricing benchmarks and reference rate methodologies customized to the ESX market context. | Weeks 12 to 16 |
| Stakeholder and Validation workshop Presentation and discussion of draft findings and recommendations with key stakeholders for validation and feedback. | To be scheduled during weeks of 17 |
| Final Scoping Study Report: including actionable recommendations, phased implementation roadmap, and accompanying toolkits | Within twenty (20) weeks of contract award |

6. Consultant/ Firm Qualifications

The selected consultant or firm must demonstrate the following:

- ≥ 5 years of experience in developing/ deepening short-term debt markets in frontier/emerging economies, with ≥ 2 projects in Sub-Saharan Africa (e.g., Kenya, Nigeria, Ghana, Rwanda).
- Proven work with securities exchanges/CSDs on new product launches, preferably in CP.
- Direct experience drafting/ aligning securities regulations (especially money market instruments) and interfacing with regulators (e.g., central banks, securities commissions).
- Hands-on experience in designing, trading, settlement, and disclosure frameworks for fixed-income products.

- Expertise in credit assessment methodologies, pricing benchmarks (e.g., yield curves), and post-trade reporting.

Core Team Credentials:

- **Team Leader:** 10+ years in capital markets, with direct CP market development experience in ≥ 2 emerging economies.
- Legal/regulatory specialist with African financial laws expertise (Ethiopian experience preferred).
- Deep understanding of Ethiopia's macroeconomy and investor landscape.
- Track record in designing CP documentation (term sheets, IM templates).
- Understanding of potential issuers (e.g. Ethiopian banks, corporates) and institutional investors (pension funds, insurers).

7. Invitation to Submit Proposal

ESX with the support of FSD Africa and FSD Ethiopia, is inviting a proposal from a suitably qualified consultants/consultancy firm.

Interested applicants are requested to submit a detailed proposal that includes the following components:

1. Technical Proposal

- CVs of key personnel (maximum 3 pages each), tailored to the assignment.
- Team structure and composition, with clearly defined roles and responsibilities.
- Summary of relevant experience, especially in capital market development, legal/regulatory reform, fixed-income products, and similar projects in emerging markets.
- Methodology and approach, including a clear outline of how the consultant will conduct the assignment, engage with stakeholders, and deliver on each phase.
- Work plan and timeline, showing activities, milestones, and proposed delivery dates aligned with project phases.
- Risk assessment and mitigation strategy, identifying potential risks and how they will be managed.

2. Financial Proposal

- Itemized budget, broken down by project phase and deliverables.
- Daily or hourly rates of key personnel.
- Reimbursable costs (if any), such as travel, accommodation, and logistics.

Submission Timeline and Contact Information

All interested consultants or consulting firms are requested to submit their complete proposals by the deadline indicated below. Late submissions will not be accepted or considered.

Deadline for Inquiries: All questions and requests for clarification must be submitted in writing to Info@esx.et by **July 4, 2025**. To ensure a transparent process, all responses will be shared with all applicants.

Submission Deadline: All proposals must be submitted electronically to the email address below by no later than **5:00 PM East Africa Time on Friday, July 25, 2025**. Late submissions will not be considered.

Submission Requirements:

- **Submission Email:** Info@esx.et

- **Email Subject:** Please ensure the subject line of your submission reads: *"Proposal for Feasibility Study on Commercial Paper Market"*.
- **Proposal Format:** Technical and financial proposals must be submitted as separate documents.
- **Financial Proposal:** The financial proposal must be encrypted. The password for the document should only be shared upon request from the ESX evaluation team.